Saskatchewan Government Growth Fund VIII Ltd.

Financial Statements

For the Period Ending December 31, 2000

SASKATCHEWAN GOVERNMENT
GROWTH FUND

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Auditors' Report

To the Shareholders of
Saskatchewan Growth Fund VIII Ltd.

We have audited the statement of financial position of Saskatchewan Government Growth Fund VIII Ltd. as at December 31, 2000, and the statement of operations and retained earnings and statement of cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

January 31, 2001

Deloitte
Touche
Tohmatsu

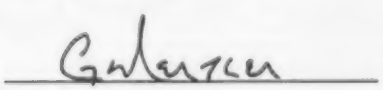
Saskatchewan Government Growth Fund VIII Ltd.

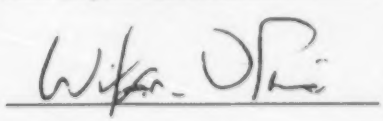
(Incorporated under The Business Corporations Act of Saskatchewan)
Statement of Financial Position
As at December 31

	2000	1999
Assets		
Cash and cash equivalents (Note 4)	$ 9,094,087	$ 2,918,603
Accounts receivable and accrued income	9,159	-
Deferred costs (Note 5)	612,971	162,767
	$ 9,716,217	$ 3,081,370
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 6)	$ 29,379	$ 40,108
Commissions payable	255,000	104,500
Accrued interest payable to investors	53,345	13,521
Subscription deposits (Note 7)	6,537,541	2,921,324
Obligations to investors (Note 8)	2,750,000	-
	9,625,265	3,079,453
Share capital (Note 9)	1,000	1,000
Retained earnings	89,952	917
	90,952	1,917
	$ 9,716,217	$ 3,081,370

See accompanying notes to financial statements

On behalf of the Board:


Director


Director

Saskatchewan Government Growth Fund VIII Ltd.

Statement of Operations and Retained Earnings
For the Year Ended December 31

	2000	1999
Revenues		
Interest from cash and cash equivalents	$ 309,771	$ 110,028
Other income	12,000	12,238
	321,771	122,266
Expenses		
Administration (Note 11)	110,958	43,891
Interest on subscription deposits	79,214	77,458
Interest on obligations to investors	21,268	-
Amortization of deferred costs	21,296	-
	232,736	121,349
Net income	89,035	917
Retained earnings, beginning of year	917	-
Retained earnings, end of year	$ 89,952	$ 917

See accompanying notes to financial statements

Saskatchewan Government Growth Fund VIII Ltd.

Statement of Cash Flows
For the Year Ended December 31

	2000	1999
Cash flows from operating activities		
Net income	$ 89,035	$ 917
Adjustments:		
Amortization of deferred costs	21,296	-
Net change in non-cash balances related to operations (Note 12)	(301,064)	(4,638)
Cash flows from operating activities	(190,733)	(3,721)
Cash flows from financing activities		
Proceeds from share issuance	-	1,000
Proceeds from note subscriptions	6,366,217	2,921,324
Cash flows from financing activities	6,366,217	2,922,324
Net increase in cash and cash equivalents	6,175,484	2,918,603
Cash and cash equivalents, beginning of year	2,918,603	-
Cash and cash equivalents, end of year	$ 9,094,087	$ 2,918,603
Interest paid during the year	$ 60,657	$ 63,937

See accompanying notes to financial statements

Saskatchewan Government Growth Fund VIII Ltd.
Notes to the Financial Statements
December 31, 2000

1. Status of the corporation

Saskatchewan Government Growth Fund VIII Ltd. ("SGGF VIII") was incorporated in March 1999 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF VIII was established to raise $35,000,000 through a note offering. Each note is a variable rate (1½% to 3½%), unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF VIII commenced commercial operations in 1999 and achieved its minimum offering of 14 investors in March 1999. The marketing period for SGGF VIII ended on March 31, 1999.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF VIII is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF VIII or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. The following are considered significant:

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF VIII's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

Commissions payable

According to the terms of marketing agreements entered into by SGGF VIII, a commission is legally payable to the independent marketing agents selling the notes upon receipt by SGGF VIII of the note subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa.

Accrued interest payable to investors

SGGF VIII accrues interest on its note subscription deposits from the date of deposit to the date of note issuance. Investors earn interest at a rate between one and one-half percent (1½%) and three and one-half percent (3½%) per annum. The rate is determined at the time of note subscription deposit.

Obligations to investors

Obligations to investors represent the notes issued to investors of SGGF VIII. Interest on notes is accrued at an annual rate between one and one-half percent (1½%) and three and one-half percent (3½%) from the date of note issuance. The rate is determined at the time of note subscription deposit. Interest is paid annually on December 31 and at maturity.

3. Provisions of the IIP

70% investment requirement

SGGF VIII is required to invest at least 70% of each note subscription deposit no later than nine months from receipt of the note subscription deposit.

Minimum holding period and maturity of the note

The five year term (minimum holding period) of each note will commence on its investment date, being the date when at least 70% of the note subscription deposit is invested in eligible businesses. Each note will mature five years from its investment date, provided SGGF VII maintains at least 70% of the note subscription deposit continuously invested in the active business operations of eligible businesses for five years following the investment date. The IIP contains provisions which require that the five year term to maturity of a note be extended if and for so long as a minimum of 70% of the note subscription deposit ceases to be invested in the active business operations of eligible businesses.

4. Cash and cash equivalents

Included in cash and cash equivalents are numerous Bankers' Acceptances with varying terms that total $5,461,095 (1999 - $nil). These investments mature within the next 31 days and have interest rates ranging from 5.67% to 5.70%.

5. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $21,296 (1999 – $nil).

6. Accounts payable and accrued liabilities

Included in accrued liabilities is a $22,488 (1999 - $nil) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF VIII. This amount is based on the retained earnings of SGGF VIII and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

7. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

8. Obligations to investors

Notes – 1½% to 3½% unsecured promissory notes.

The obligation at December 31 is comprised of:

		2000	1999
8 notes	1.50%	$ 2,000,000	$ -
1 note	2.50%	250,000	-
1 note	2.60%	250,000	-
1 note	2.80%	250,000	-
11 notes (1999 – 0 notes)		$ 2,750,000	$ -

No investments have been made by the fund to December 31, 2000. Therefore, the 70% investment requirement has not been met and the minimum holding period for those investors who have been issued notes has not yet commenced.

The following is the estimated redemption schedule for note repayments under the terms of the Memorandum for the year ended December 31:

2006	$ 2,750,000

9. Share capital

The authorized common share capital of SGGF VIII at December 31 is:

Common shares - an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2000	1999
1,000 common shares	$ 1,000	$ 1,000

10. Financial instruments

SGGF VIII's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. Although no investments have been made to date, this investment activity will entail exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF VIII's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SGGF VIII is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SGGF VIII invests. Some of the companies in which SGGF VIII invests are dependent upon a single product or industry. SGGF VIII manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF VIII restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF VIII conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF VIII's earnings will decline due to fluctuations in interest rates. SGGF VIII manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SGGF VIII will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF VIII's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF VIII's obligations to investors. SGGF VIII carefully monitors the duration of its investments. However, these timing differences may require SGGF VIII to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Retained Earnings in the period in which they become known.

Fair Value - Obligations to Investors

Obligations to investors represents the capital invested by immigrant investors in SGGF VIII. In addition to earning a nominal return on their capital, their investment in SGGF VIII helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF VIII is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

11. Administration

Under the terms of a ten year Management Agreement, expiring in 2009, between SGGF VIII and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF VIII and, beginning October 1, 2000, with the assistance of a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF VIII. All services provided to SGGF VIII are charged on a fee for service basis. The breakdown of costs is as follows:

	2000	1999
Fund manager fees	$ 33,106	$ -
Fund manager profit share	22,488	-
Salaries and benefits	20,562	16,874
General administration	19,202	16,291
Directors fees and expenses	5,396	2,942
Legal and professional	10,204	12,551
	110,958	48,658
Less costs deferred	-	4,767
	$ 110,958	$ 43,891

Fund manager profit share is a provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF VIII. This amount is based on the retained earnings of SGGF VIII and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

12. Net change in non-cash balances related to operations

	2000	1999
Accounts receivable and accrued income	$ (9,159)	$ -
Deferred costs	(471,500)	(162,767)
Accounts payable and accrued liabilities	(10,729)	40,108
Commissions payable	150,500	104,500
Accrued charges payable to investors	39,824	13,521
	$ (301,064)	$ (4,638)

13. Income taxes

Greater than 90% of the issued shares of SGGF VIII are owned by a provincial Crown corporation. Therefore, SGGF VIII is income tax exempt.

14. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF VIII is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 11, SGGF VIII is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $110,958 (1999 - $48,658).